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C O N F I D E N T I A L AMMAN 002720

SIPDIS

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SUBJECT: IRAQ/GRL: PASSAGE OF UNSCR 1409 CAUSES BARELY A
RIPPLE IN JORDAN; GOJ SEEKS GREATER CLARITY ON "FAST TRACK"
MECHANISM

Classified By: AMBASSADOR EDWARD W. GNEHM. REASONS 1.5 (B,D).

1. (C) Since UNSCR 1409's passage two weeks ago, there has been surprisingly little reaction from either the GOJ or Jordan's business community on the new international rules governing Iraq trade. Those who follow the issue have greeted 1409 with caution, unsure whether or not Jordan will benefit from the new system.

2. (C) For the past year, the GOJ's main concern regarding revision of Iraq sanctions has been preservation of the Kingdom's oil-barter arrangement outside of O-F-F. As 1409 does not make mention of extra-O-F-F trade, that concern appears -- at least for the time being -- to have subsided. A new area of Jordanian anxiety is more commercial than political: whether the Kingdom can remain competitive in an Iraqi market that has easier access to goods from a wider range of sources. Jordanian business people, for example, note with worry the reported opening of the Saudi-Iraqi border to bilateral trade.

3. (C) On May 19, Haidar Murad, President of the Federation of Jordanian Chambers of Commerce, urged Jordan's industrial and trade sectors to enhance the competitive edge of the products destined for Iraq. His statement expressed a worry felt in various quarters here: that while 1409 will allow Iraq to increase importation of civilian goods, Jordan will lose out to others who can win on price and/or quality. (Prime Minister Abul Ragheb argued again to the Ambassador May 20 that Jordan must sign a Free Trade Agreement with Baghdad to maintain its economic competitiveness with other Arab states that have Iraq FTAs.)

4. (C) Meanwhile, Samer al-Tawil, the number two official at the Ministry of Trade and Industry, told Econcouns that on balance the resolution was good for Jordan. Greater competition in the Iraqi market would, he said, help refocus Jordanian manufacturers on new markets, upgrading standards and quality in the process. He contrasted 1409 favorably with proposals last year for "smart sanctions" that would, Tawil said, have stationed UN inspectors in Jordan and could have interfered with Jordan's bilateral trade protocols with Iraq. He noted, however, that the volume of goods shipped under the bilateral protocol should decline markedly this year. He estimated that the value of total goods exported in 2002 will reach USD 150 million, down from USD 227 million in 2001, and well short of the USD 260 million ceiling allowed in the protocol for 2002.

5. (C) Samer Naber, the MFA's Legal Advisor, told Polcouns and Poloff May 23 that the GOJ's concerns at present center more on what 1409 does not specify rather than what it does. In particular, the GOJ is interested in learning more details of how the "fast track" mechanism noted in paragraph 4 of SCR 1409's procedures would work. Many of Jordan's current exports, Naber noted, would probably fall within the categories of goods governed by these procedures. The GOJ and Jordanian businesspeople are looking for clarity on this, as well as a better understanding of how the SYG's periodic reports could prompt additional revisions.

6. (C) Action request: Any information the Department or USUN could provide us to pass to the GOJ on the envisioned "fast track" mechanism would be very helpful.
Gnehm